

December was another volatile month, the market was in positive territory early in the month (up 4.8% on December 5) only to fall into negative territory (-1.4%) by month end. The Fund was only slightly down - again outperforming the market in a down month - and has outperformed the market in each down month for calendar 2011.

In economic news there were signs of life in the US with falling jobless claims and rising housing starts reported, however, Europe continues to stumble with the risk of bank failures rising in the Euro-zone prompting S&P to put the European Union on a negative creditwatch for its AAA long-term rating. The European Central Bank cut interest rates and offered long term funding for European banks.

Locally, the Reserve Bank of Australia cut the cash rate by 25 basis points but not in time to help retailers with profit downgrades coming from JB Hi-Fi, Billabong and Kathmandu.

- The Fund was down only slightly for the month with positive contributions coming from Spark Infrastructure and Cochlear while Flight Centre and ARB Corporation provided the largest negative contribution to Fund performance for the month. The only company to provide any news contributing to the price movements was Cochlear. It announced during the month that it has found that the root cause of the problem in its C1500 implants is a result of unexpected variations during the manufacturing process. The share price rose on the announcement but it should be pointed out the company has only found the cause; it has not announced it has found a solution – two very different situations. However, it is positive news for shareholders.
- Coca-Cola Amatil provided a trading update to the market during the month. The company expects its net profit for the second half to be about 5% higher in constant currency terms, however with the stronger Australian dollar it is more likely the company will report a slightly lower profit result because of the currency. The company also announced the sale of its Pacific Beverages business to SAB Miller following the Foster's takeover and will report a significant profit of \$165m after tax on the deal.
- There was little change to the Portfolio during the month with some Portfolio trimming in Thorn Group, Fleetwood, ARB Corporation and ALE Property and further reduction in the IOOF holding.
- The Fund will pay a distribution of 1.495 cents per unit for the December quarter.

Performance Data as at	31/12/2011
1 month	-0.22%
3 months	1.11%
6 months	-2.32%
1 year	-2.40%
2 years (p.a.)	5.32%
3 years (p.a.)	15.88%
5 years (p.a.)	0.02%
Since Inception (p.a.)*	4.53%
Net Asset Value (\$)	1.0971
Fund Size (\$ million)	45.36

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	31.93%
ARB Corporation Ltd	6.84%
Woolworths Limited	3.90%
Austbrokers Holdings Limited	3.83%
Coca-Cola Amatil Limited	3.60%
Spark Infrastructure Group	3.49%
Flight Centre Limited	3.15%
Cochlear Limited	3.10%
McMillan Shakespeare Limited	2.70%
Computershare Limited	2.34%
<i>Other holdings</i>	35.12%
TOTAL	100.00%

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